Conf.
Pam.
#285

Duke University Libraries
Minority report
Conf Pam #285
D99025036Y

ARCHIVES
DEPARTMENT

HOUSE OF REPRESENTATIVES, May 23, 1864.—Laid on the table and ordered to be printed.

MINORITY REPORT

OF THE

COMMITTEE OF WAYS AND MEANS,

On the Tax Bill.

To the House of Representatives:

The undersigned, member of the Committee of Ways and Means, begs leave to make the following report:

The act passed at the last session, entitled "An act to levy additional taxes for the common defence and support of the Government," should be amended so as not to levy a double tax upon the property of banks or other corporations, by first levying a tax on the "shares" or "interest," and then upon the assets, in the shape of "gold and silver coin, gold dust, gold or silver bullion," and "upon all moneys held abroad, or upon the amount of all bills of exchange drawn therefor on foreign countries."

Further than this, the taxes of any bank, banking company or association, canal, navigation, importing and exporting, insurance, manufacturing, telegraph, express, railroad and dry-dock companies, and all other joint stock companies, of every kind, whether incorporated or not, should not be reduced.

To assess the value of all property taxed under the second section of the act, by prices in 1860, and not at the time of assessment as fixed by the act, would be simply to release all that class of tax-payers from a very large proportion of their taxes, amounting in the aggregate to many millions.

The tax act of the last session, in the *time* of assessment, makes two classes: the first is assessed according to the market value of the same or similar property in the neighborhood in 1860; the second is assessed by its value at the time of assessment. This, under the circumstances, is a discrimination in favor of the first class in the payment of taxes, in most cases, of several hundred per cent.; the reason for which, as to property employed in agriculture, is obvious, though the policy may be questioned, but it might be difficult to dis-

cover the reason for taxing other property put in that class at its value in 1860—such, for instance, as gold and silver wares and plate, jewels, jewelry, cotton, tobacco, &c.

But, however this may be, the policy of now transferring all that class of taxables mentioned in the second section of the law, from the second to the first class, is so manifestly injudicious at this time, that silence in one, looking at it as I do, would be a criminal neglect of public interests. It would be to release from taxes levied by law a class not oppressed—a class who, as a general rule, have made more money since the war than any other class.

We have classes who are suffering under our system of taxation, and it is only when such suffering is of the most serious character that our authorities, under a supposed discretion, have ventured to give relief. It has often been the case that persons after using up most of their supplies, have ascertained that one-tenth of all was due the Government, and they have thus been compelled to surrender their last and only family supplies. If any class is relieved from taxes, it should be that class who are actually suffering and who are actually oppressed by the law.

Upon what principle should a corporation be taxed on a gold basis, and the taxes collected in a currency the difference between which and gold is two thousand per cent.? Is this a fair and equitable contribution to the support of the Government? The Government is being carried on upon the currency, and not upon the gold basis. Everything paid for by the Government, except the single item of soldiers' wages, is upon the basis of the value of Confederate currency. Now what is to become of a Government that contracts liabilities upon a basis whose proportion to the rule for collecting taxes is as twenty to one? If the Government is carried on by paying for all its supplies an advance of two thousand per cent. on gold prices, and still collects its revenue upon a gold basis, it requires no gift of prophecy to see its end. It may be said, in answer to this, that it would make no difference if the Government would levy a sufficient per cent. to make up for the disproportion; and this is admitted. But no one will pretend that five per cent. on property assessed at a gold value would be at all adequate to the wants of the Government. What would it be? Take a railroad, whose stock was worth, in 1860, fifty per cent.; it is now worth two hundred per cent. Upon a share the Government would collect $2 50, instead of $10—that would be one and one-fourth per cent. on the present value, and to be paid in Confederate money, which upon a gold basis would be just one-sixteenth of one per cent. Now is this a tax at all adequate to our immense expenditures? The principle adopted, upon full consideration, in the third section of the act passed at the last session imposes a tax on coin of five per cent. in kind. The report of the committee reduces the taxes, in effect, from five per cent. to one-sixteenth of one per cent. Upon the supposition that the stock has risen from 50 per cent. to 200 per cent., it is a reduction of 8,000 per cent. Shall this reduction in the taxes of corporations be made? If so, the work must not, can not, stop here. We have contracted the debt, and it must be paid or repudiated; and if

taxes once levied be released, sooner or later they must be laid somewhere else. Now what class will you substitute for corporations? Besides, our appropriations amount to largely over $500,000,000, as reported, and we are required to provide the means of paying it. If we release $50,000,000 of taxes at one blow, the country will say, and rightfully too, Congress is letting down upon the tax question, and the only remedy is for the Secretary of the Treasury to make more money.

But this is not the only question. It is conceded that a double tax should not be laid upon corporations and joint stock companies, by first taxing the stock and then assets which the stock represents; and yet technically—as the stockholder is in law one person and the corporation another—it would be difficult to distinguish between that and the collection of a tax on real estate bought and not paid for, and also a tax on the notes given for the purchase money, which is of frequent occurrence under our system But the question is, how shall the tax be assessed?—on what? The shares or stock, or shall it be levied on the assets? It is respectfully submitted that a tax on the shares or stock is not such a tax as is levied on the property of individuals, and that a marked and palpable discrimination is made in favor of corporations as against individuals. What is the rule as to individuals? Under the act of the last session all the property of individuals, including credits, is taxed, and no credit is given for liabilities. No matter what a man is indebted, nor whether his property is bound for the debts by lien or mortgage, the property is taxed without regard to the debts. This rule of taxing property without regard to liabilities, which may partially or wholly cover it, has been much discussed, though fully adopted by our Government, and perhaps by all the States. Now, it is submitted that the mode adopted by the committee of taxing shares or stock is a departure from the general principle, and is a material discrimination in favor of corporations. What does the market value of stocks represent? not the assets, but the difference between the entire assets on the one hand, and the liabilities on the other. What enters into the consideration which determines the price to be paid for stocks in the market? First, the assets are ascertained, and if there be no liabilities, then the aggregate value of the stocks of any given corporation would be the value of the assets. But the liabilities of the corporation, of course have much to do in determining the price to be paid. In other words, the market value of stocks is fixed by bankers and other dealers in stocks, who take into the estimate the assets upon the one hand, and the liabilities upon the other, and with a keenness of perception, perhaps found in no other profession, they strike the balance and fix the "market value." And this market value thus ascertained, is to be the guide in determining what property shall be taxed; so that as to corporations and joint stock companies, they would be taxed upon the *difference* between the assets and liabilities, and not upon their *property*, as other persons are.

Upon what principle can this be justified? Why discriminate in favor of corporations? The only argument advanced for this discrimination is, that corporations are institutions of public interest, and

founded upon the plea of public necessity. No war should be made upon corporations, because they are corporations, but certainly as a general rule, corporations in their dealings with other persons, and with each other, as rigidly and as exclusively take care of their own interests as any other class to be found.

Whatever advantages the public derive from them are paid for, and these advantages are conferred because they are paid for, and for no other reason.

By the amendments proposed, the taxes of 1864 are reduced many millions. We are not in condition to reduce our taxes; however, other expedients may check the disease, taxes is the only remedy.

Take a single bank, with a capital of $1,000,000 paid in, and the taxes would be, under the amendments, $50,000, that is, if the stock was worth par in 1860; a thing not very probable. Now what are the taxes under the present law taxing the assets? After relieving the bank from a double tax, this bank would likely, as bankers would admit, have of assets, say,

Specie $200,000, worth 20 for one, $4,000,000, 5 per cent. taxes,	$200,000
Sterling exchange $100,000, worth 20 for one, $2,000,000, 5 per cent. taxes,	100,000
Solvent credits $800,000, worth three for one, $2,400,000, 5 per cent. taxes,	120,000
Taxes under present law,	$420,000
Taxes under amendments,	50,000
Difference,	$370,000

But the friends of the amendment say such a tax is frightful. We reply, if it is, it is nevertheless fair; it is exactly what that aggregate of property belonging to individuals yields. But it is not so unreasonable a tax for the times. $420,000 paid for the protection of $8,400,000, is by no means a heavy sacrifice, when we remember that our enemies, in violation of all the rules of civilized warfare, openly avow, and constantly make good that avowal, as far as possible, that one of the main features of the war contemplates, by fire and confiscation, to strip us of all property.

The principal reason given, by the friends of the amendments, for not taxing coin belonging to the banks according to its value is, that the law unconditionally requires the banks to keep it. And that it would be unjust to tax gold according to its value, held by a corporation, when it was only obeying the behests of the law in holding it. Such an argument is erroneous in this, that it assumes this condition of the law requiring banks to keep on hand a certain amount of gold, to be an arbitrary and gratuitous codition imposed, whereas, the truth is, that the corporators asked a chartered privilege, and which taken as a whole, means simply a right to issue notes and purchase bills, so as to receive interest on three dollars for every one dollar of gold in the vaults of the bank.

All of which is respectfully submitted,

A. S. COLYAR.

Permalife®
pH 8.5